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Macroeconomic policy questions: External debt crisis and development

Guyana:* draft resolution

Enhancing international cooperation towards a durable solution to the external debt problem of developing countries

The General Assembly,

Recalling its resolutions 51/164 of 16 December 1996, 52/185 of 18 December 1997 and 53/175 of 15 December 1998 on enhancing international cooperation towards a durable solution to the external debt problem of developing countries,

Reaffirming the urgent need for effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries in order to help them to attain a lasting exit from unsustainable debt burdens,

Recognizing the continuing efforts of debtor countries, despite the great social cost involved, to pursue economic reform, stabilization and structural adjustment programmes aimed at achieving stability, raising domestic savings and investments, reducing inflation, improving economic efficiency and addressing the social aspects of development, including the eradication of poverty as well as the development of social safety nets for the vulnerable and poorer strata of their populations,

Noting with concern the continuing debt and debt-servicing problems of developing countries as constituting an element adversely affecting their development efforts and economic growth, and stressing the importance of alleviating once and for all the onerous debt and debt-service burdens connected with the various types of debt of developing countries on the basis of an effective, equitable, development-oriented and durable approach,

Noting with great concern the continuing high debt burden borne by African countries and least developed countries, as exacerbated by the continuous declines in commodity prices,

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

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Noting also with great concern that the recent financial crises have aggravated the debt-servicing burden of many developing countries, including middle-income countries, making it difficult for them to raise enough resources for debt servicing,

Noting with concern that a growing number of middle-income developing countries are facing grave difficulties in sustaining external debt servicing and that some of these countries have become highly debt-distressed,

Stressing that debt sustainability of middle-income developing countries is essential to their sustained economic growth and to the smooth functioning of the world economy,

Noting with great concern that the debt overhang of the heavily indebted poor countries is far from being lifted and that the pace of implementation of the Heavily Indebted Poor Countries Debt Initiative has been very slow because of the complexity of the process itself and because of financing constraints,

Stressing the need for the evolving international debt strategy to address fully the debt sustainability of developing countries, and, in this connection, stressing the urgent need for a full and swift implementation of initiatives that will further assist developing countries, in particular the poorest and heavily indebted countries, especially in Africa, in their efforts to improve their debt situation in view of their high and unsustainable levels of total debt stock and servicing burdens,

Stressing also the need for a supportive international economic environment that is conducive to improving the developing countries' terms of trade, market access and access to technology, as well as to fostering better commodity prices, stable exchange rates and international interest rates and to enabling the provision of sufficient resources for development,

Welcoming the initiative of the Group of Seven major industrialized countries, launched at its meeting in Cologne, Germany, in June 1999, and the recent decisions of the International Monetary Fund and the World Bank on the enhanced Heavily Indebted Poor Countries Debt Initiative,

Acknowledging the actions taken by creditor countries both within the framework of the Paris Club and through the cancellation and equivalent relief of bilateral debts,

Emphasizing that mechanisms such as debt rescheduling and debt conversion have not resolved problems relating to the long-term debt sustainability of indebted developing countries,

Emphasizing also that the international community should consider further appropriate measures in order to contribute to effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries,

1. *Takes note* of the report of the Secretary-General on recent developments in the debt situation of the developing countries;[1]

2. *Recognizes* that effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing burdens of developing countries can contribute substantially to the strengthening of the global economy and to the efforts of developing countries to achieve sustained economic growth and sustainable development;

3. *Recognizes also* that the Cologne initiative and the recent decisions adopted by the World Bank and the International Monetary Fund on the enhanced Heavily Indebted Poor Countries Debt Initiative contribute to achieving durable solutions to the external debt

[1] A/54/370.

and debt-servicing burdens of developing countries, in particular of the heavily indebted poor developing countries;

4. *Recognizes further* that a principal obstacle for the speedy implementation of the Heavily Indebted Poor Countries Debt Initiative is financial constraints, and, in this regard, reiterates the call for the industrialized countries that have not yet contributed to the Enhanced Structural Adjustment Facility (now renamed Poverty Reduction and Growth Facility) and the Heavily Indebted Poor Countries Trust Fund to come forward immediately with their contributions;

5. *Notes* that even with the so-called "floating completion points", the two three-year stages of implementation of the Initiative in eligible countries still represents a long time-frame before actual debt relief could happen, and, in this regard, encourages consideration to shorten further the time-frame for implementation of the Initiative to eligible countries so that debt relief can be provided to them in the quickest manner possible, thereby helping them immediately to move towards the path of economic recovery and development;

6. *Notes also* that while there is now a possibility to expand eligibility under the Initiative to 36 countries, there is still a need to review the list of heavily indebted poor countries, including the cases of borderline heavily indebted countries, in order to ensure that all poor countries facing debt-servicing difficulties will be considered under the Initiative, and, in this regard, also encourages consideration to apply less restrictive eligibility criteria, notably by reducing the threshold of ratios of debt to exports and debt service to exports;

7. *Invites* the International Monetary Fund to strengthen the transparency and integrity of debt sustainability analysis through, *inter alia*, the commissioning and making use of studies prepared by impartial sources that are selected in consultation with creditors and debtors and relevant United Nations bodies, as appropriate;

8. *Notes* the agreement on the elements of a financing plan for multilateral development banks that will permit the enhanced framework for the Heavily Indebted Poor Countries Debt Initiative to be launched and the delivery of debt relief to begin for those countries requiring retroactive relief and those expected to reach their decision points over the near term, and, in this regard, stresses the importance of applying the enhanced Initiative to those eligible countries which have already reached their decision or completion points within the framework of the previous Initiative;

9. *Stresses* the need for flexible implementation of the proposed framework for strengthening the link between debt relief and poverty reduction, and, in this regard, emphasizes that the absence of an agreed poverty reduction strategy paper should not hinder the reaching of a decision point and that in all cases a demonstrable progress in implementing a poverty reduction strategy in countries eligible under the Initiative should be sufficient for the decision and completion points to be attained under its enhanced framework;

10. *Emphasizes* that poverty reduction programmes as linked to the implementation of an enhanced Initiative must be country-driven and in accordance with the priorities and programmes of countries eligible under the Initiative;

11. *Stresses* the critical need for all debt relief initiatives to be guided by more transparent and predictable modalities, involving debtor countries in any review and analysis that is conducted during the adjustment period;

12. *Urges* creditor countries to consider full cancellation of bilateral official debts of countries eligible under the Initiative, post-conflict countries, in particular those with protracted arrears, developing countries affected by serious natural disasters and countries with very low social and human development indicators, and, in this regard, calls upon the

Secretary-General to examine ways and means of building coalitions with civil society organizations and non-governmental organizations in creditor countries, including Jubilee 2000, to ensure in the shortest possible time the implementation of pronouncements on debt forgiveness in order that countries eligible under the Initiative will quickly benefit from such pronouncements;

13. *Reiterates* the fundamental principle, in keeping with previous resolutions of the General Assembly, that funding of any debt relief should not affect the support required for other development activities in favour of developing countries, and, in this regard, welcomes the decision of the Joint International Monetary Fund/World Bank Development Committee that financing of debt relief should not compromise the financing made available through concessional windows such as the International Development Association, and expresses its appreciation that certain developed countries have reached or even gone beyond the internationally agreed target for official development assistance of 0.7 per cent, while, at the same time, calling upon other developed countries to fulfil this target for official development assistance;

14. *Expresses its appreciation for* the action taken by creditor countries of the Paris Club in December 1998 with regard to the debts of countries affected by hurricane Mitch, and, in this regard, reiterates the need for bilateral relief promises to come to fruition in the shortest possible time-frames in order to free the requisite resources for national reconstruction efforts, welcomes the decision of various countries to condone bilateral debt to Honduras and Nicaragua and invites others to follow their example;

15. *Encourages* the international creditor community to consider appropriate measures in the case of countries with a very high level of debt overhang, including, where appropriate, debt conversion measures for the low-income countries of Africa, the least developed countries and middle-income countries, in order to make an appropriate and consistent contribution to the common objective of debt sustainability;

16. *Recognizes* the economic and social costs being incurred by the middle-income developing countries because of their external debt-servicing obligations, and notes the worsening situation in some of them, which may lead to insolvency, thus requiring outright debt reduction;

17. *Calls for* concerted action effectively to address debt sustainability of middle-income developing countries with a view to resolving their long-term debt sustainability problems, including through major reduction of their debt stock and other appropriate and orderly mechanisms for debt reduction, encourages private creditors, in particular, commercial banks, to continue their initiatives and efforts to address the commercial debt problems of middle-income developing countries, in particular those affected by the recent financial crises, and also encourages all creditor and middle-income debtor countries to utilize to the fullest extent possible all existing mechanisms for debt reduction;

18. *Recognizes* the need to enhance the ability of existing facilities to provide debt-relief measures through various debt-conversion programmes, such as debt-equity swaps, debt-for-nature swaps, debt-for-child-development swaps and other debt-for-development swaps, to be implemented widely so that the countries concerned may be assisted in their development efforts, as well as to support measures in favour of the most vulnerable segments of the societies of those countries and to develop techniques of debt conversion applied to social development programmes and projects, in conformity with the priorities of the World Summit for Social Development, held in Copenhagen in March 1995;[2]

[2] See *Report of the World Summit for Social Development, Copenhagen, 6–12 March 1995* (United Nations publication, Sales No. E.96.IV.8).

19. *Recognizes also* the adverse impact of the volatility of short-term capital flows and exchange rates on interest rates and the debt situation of developing countries, and stresses the need for coherence in implementing policies, as well as orderly, gradual and well-sequenced approaches to capital account liberalization, in order to mitigate the impact of such volatility and reduced access to external financing;

20. *Takes note* of the reform of Poverty Reduction and Growth Facility operations to focus on giving greater prominence to the goal of supporting countries' poverty reduction efforts, while recognizing that debt relief alone will be insufficient to achieve the goal of poverty eradication, and, in this regard, emphasizes the urgency of securing its adequate level of funding support;

21. *Reaffirms* the Mid-term Global Review of Progress towards the Implementation of the Programme of Action for the Least Developed Countries for the 1990s,[3] in particular the appropriate actions required in favour of those countries concerning their official bilateral, commercial and multilateral debts;

22. *Stresses* the need for new financial flows to debtor developing countries from all sources, in addition to debt-relief measures that include debt and debt-service reduction, and urges creditor countries and multilateral financial institutions to continue to extend concessional financial assistance, in particular to the least developed countries, in order to support the implementation of economic reforms and stabilization and structural adjustment programmes by the developing countries that will enable them to extricate themselves from the debt overhang and attract new investments and to assist them in achieving sustained economic growth and sustainable development and the eradication of poverty;

23. *Also stresses* the importance of additional debt-relief measures in the light of the adverse effects of the international financial crises on the mobilization of both domestic and external resources for the development of the developing countries, including those in Africa and the least developed countries;

24. *Further stresses* the importance of trade to development, poverty alleviation and sustained global economic recovery, and, in this regard, emphasizes the need for the next round of trade negotiations to deliver early and substantial benefits to developing countries, as well as improving their market access and further reducing barriers to their trade;

25. *Urges* the international community, including the United Nations system and the Bretton Woods institutions, and the private sector to take appropriate measures and actions for the implementation of commitments, agreements and decisions resulting from the major United Nations conferences and summits organized since the beginning of the 1990s on development, as well as from the outcomes of review processes, related to the question of the external debt and debt-servicing problems of developing countries;

26. *Requests* the Secretary-General to include in his report on this item to the General Assembly at its fifty-fifth session a comprehensive and substantive analysis of the external debt problems of the heavily indebted poor countries, least developed countries and middle-income developing countries, as well as proposals for specific and concrete measures or mechanisms to resolve these problems in a durable manner;

27. *Also requests* the Secretary-General to report to the General Assembly at its fifty-fifth session on the implementation of the present resolution.

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[3] Resolution 50/103, annex.